

# *Stewardship*

*We prudently invest and manage the assets held in trust for current and future retirees.  
We rigorously identify, measure and manage risk.*

# *Best in Class Operations*

*We efficiently deliver accurate, timely retirement benefit payments and related services  
with attentiveness to high quality customer service.*

# *Trusted Source*

*We are our stakeholders' trusted source of reliable, comprehensive information about retirement  
security and the role that Indiana Public Retirement System plays in the delivery of that security.*

# *Collaboration and Shared Purpose*

*We value professionalism, teamwork and operational excellence to consistently  
improve the quality and sustainability of our services.*



# 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

The Indiana Public Retirement System is a pension trust fund of the State of Indiana.







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Public Employees' Retirement Fund | Teachers' Retirement Fund | 1977 Police Officers' and Firefighters' Pension and Disability Fund  
Judges' Retirement System | State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers'  
Retirement Plan | Prosecuting Attorneys' Retirement Fund | Legislators' Retirement System: *Defined Benefit Plan and Defined  
Contribution Plan* | State Employees' Death Benefit Fund | Public Safety Officers' Special Death Benefit Fund | Pension Relief Fund

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*INPRS is a trust and an independent body, corporate and politic. The fund is not a department or agency of the State of Indiana, but is an independent instrumentality exercising essential governmental functions. (Indiana Code Section 5-10.5-2-3).*



# INDIANA PUBLIC RETIREMENT SYSTEM

## 2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012

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# *Introductory Section*

## **INDIANA PUBLIC RETIREMENT SYSTEM**

### **2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2012

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# INTRODUCTORY SECTION

## Letter of Transmittal



December 21, 2012

Dear Board Members:

It is with pleasure that we present the first Comprehensive Annual Financial Report (CAFR) of the new Indiana Public Retirement System (INPRS) for the fiscal year ended June 30, 2012.

### About the System

Effective July 1, 2011, the administration of the Indiana State Teachers' Retirement Fund (TRF), established in 1921, and the funds previously administered by the Indiana Public Employees' Retirement Fund (PERF), established in 1945, were consolidated as the Indiana Public Retirement System (INPRS).

As of June 30, 2012, INPRS was responsible for the investment of approximately \$25.6 billion in net assets. In total, INPRS paid approximately \$2.4 billion in monthly retirement, disability and survivor benefits to 126,813 benefit recipients. INPRS received contributions of approximately \$2.0 billion from 230,703 members actively employed in public service and 1,187 participating employers statewide. INPRS also maintains accounts for 90,135 inactive members for a total membership of 447,651. Details about INPRS members and employers can be found in the Statistical Section of this report.

This report provides detailed information on the performance of all retirement plans [i.e., seven (7) Defined Benefit (DB) and one (1) Defined Contribution (DC) retirement plans] administered by INPRS, including:

- Public Employees' Retirement Fund (PERF)
- Teachers' Retirement Fund (TRF)
- 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund)
- Judges' Retirement System (JRS)
- State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan (E,G,&C Plan)



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# INTRODUCTORY SECTION

## Letter of Transmittal, continued

- Prosecuting Attorneys' Retirement Fund (PARF)
- Legislators' Retirement System (LRS)
  - Legislators' Defined Benefit Plan (LEDB Plan)
  - Legislators' Defined Contribution Plan (LEDC Plan)

INPRS also administers two (2) special death benefit funds for public safety officers and state employees who die in the line of duty. In addition, INPRS manages the Pension Relief Fund, which was created by the Indiana General Assembly to address the unfunded pension obligations of the police officers' and firefighters' pension systems of Indiana's cities and towns. INPRS is not responsible for the administration of those local pension funds, which have been closed to new membership since the creation of the 1977 Police Officers' and Firefighters' Pension and Disability Fund. However, INPRS makes disbursements from funds provided by the General Assembly to the local police and firefighter units throughout the state that are still obliged to pay benefits under those former plans.

Since their establishment, the laws governing the administration of INPRS-administered funds have changed and expanded in response to the needs of our members, employers, and citizens.

In 1955, the Annuity Savings Account (ASA) was established as a supplemental benefit to the then existing defined benefit for PERF and TRF members, making these plans amongst the first in the nation to adopt a hybrid plan design. With employers paying the necessary contribution to fund the DB benefit, employees have since been required to make a contribution into a member managed account. Members are immediately vested in their ASAs. Upon retirement, PERF and TRF members can withdraw their ASA balance in a lump sum or they can convert their balance into an annuitized amount that is added to their Defined Benefit. Non-Vested inactive members (i.e., members who have not met the requirements for a DB pension benefit) may elect to withdraw their ASA balances upon termination of employment.

The 1995 legislative session brought several significant changes to TRF. Legislation was passed that closed the pay-as-you-go plan (named the Pre-1996 Account) to newly hired members and created a new account named the 1996 Account. All teachers hired after June 30, 1995, would be members of the 1996 Account. The 1996 Account was established to be actuarially pre-funded by requiring school corporations to set aside a fixed percentage of payrolls for teacher retirement benefits. Also, in 1995, the General Assembly passed legislation creating the Pension Stabilization Fund (PSF), designed to partially fund TRF's unfunded liability of the Pre-1996 Account. The PSF was initially funded from \$425 million of employer reserves from the Pre-1996 Account and, since that time, has received contributions from the Indiana State General Fund, contributions from the Indiana State Lottery, and interest earned from the investment of PSF assets. As of June 30, 2012, the PSF had a balance of \$2.25 billion.

A public referendum held in 1996 approved an amendment to the Indiana Constitution to allow the funds to invest in equities. Since that time, INPRS has been able to diversify its investment asset classes and grow its asset base.



# INTRODUCTORY SECTION

## Letter of Transmittal, continued

In 2000, legislation established that the fund's administrative bodies would no longer be state agencies but each would be an "independent body corporate and politic." This means INPRS is not a department or agency of the State, but is an independent instrument exercising essential government functions. Under Indiana law, INPRS is under the jurisdiction of the State Ethics Commission.

In 2011, legislation established a nine-member Board of Trustees to oversee the system. Indiana law requires the following board composition:

- One (1) trustee with experience in economics, finance, or investments
- One (1) trustee with experience in executive management or benefits administration
- One (1) trustee who is an active or retired member of the 1977 Fund
- Two (2) trustees who are TRF members with at least 10 years of creditable service
- One (1) trustee who is a PERF member with at least 10 years of creditable service
- Director of the State Budget Agency, or designee
- Auditor of State, or nominee
- Treasurer of State, or nominee

## Benefit Plan and Other Legislative Changes during Fiscal Year 2012

Several changes were passed or took effect during fiscal year 2012:

- Legislation established an optional ASA-Only plan to newly hired state employees that are members of PERF. Implementation is to take place six (6) months after approval from the IRS. Once implemented, eligible newly hired state employees will have the option to participate in a plan that is solely comprised of an ASA. The employee will receive a contribution of three (3) percent plus the actuarial equivalent up to the PERF DB plan's normal cost.
- Legislation provided a 13<sup>th</sup> check to benefit recipients of PERF, TRF and the E,G,&C Plan in various amounts based on years of service. In addition, benefit recipients of the 1977 Fund and Judges' Retirement System received a COLA increase.
- Legislation allowed use of excess revenue in the State General Fund to help to increase the funding status to 80 percent for select DB retirement plans of INPRS. Those DB retirement plans include the E,G,&C Plan, JRS and PARF. The State Police Fund, which INPRS does not administer, also benefitted from this funding. Excess money remaining after funding the INPRS-administered plans and the State Police Fund will go to fund the TRF Pre-1996 Account. If there is an excess in or after 2013, then 50 percent of the excess will go to fund the TRF Pre-1996 Account.
- Legislation provides the INPRS Board with flexibility to establish a single or grouping of PERF employer contribution rates.
- Legislation requires certain INPRS investments' staff to file annual financial disclosures to the State Inspector General.



# INTRODUCTORY SECTION

## Letter of Transmittal, continued

- The Department of Education may assign licensed or unlicensed teachers to work at failing schools. Licensed teachers are eligible for TRF membership while non-licensed teachers are eligible for PERF membership.

### **Management's Responsibility for Financial Reporting**

INPRS management has the fiduciary responsibility to safeguard the system and is responsible for the contents of this report. INPRS management is also responsible for establishing and maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization. INPRS management is responsible for ensuring that an adequate internal control structure is in place to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires management to make estimates and judgments. The internal control structure is subject to periodic evaluation by management and the internal audit staff to ensure compliance with applicable laws and regulations.

For financial reporting purposes, INPRS follows Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and as amended by GASB Statement No. 50, Pension Disclosures. Assets of INPRS are presented at fair value. The actuarial value of assets and the actuarial accrued liability are presented in the Required Supplementary Information following the Notes to the Financial Statements.

GASB issued Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. This Statement establishes financial reporting standards for state and local governments. The Management's Discussion and Analysis is contained within the Financial Section of this report and serves to supplement the Introductory Section of this CAFR, as well as financial statements, notes, and supplementary information within the Financial Section.

During fiscal year 2012, GASB adopted changes to its accounting standards related to public pensions. These changes will become effective in fiscal year 2014 for INPRS and fiscal year 2015 for state and local governments. GASB Statement No. 25 will be replaced by GASB Statement No. 67. Information about these upcoming changes can be found on the GASB website [www.GASB.org](http://www.GASB.org).

### **Economic Condition**

The economic condition of INPRS is based primarily upon investment results and contributions from members and employers. Strategic Investment Solutions, Inc. (SIS), the primary investment management consultant for INPRS, evaluated the impact of economic conditions on the investments of INPRS. The SIS Report on Investment Activities is located in the Investment Section of this report. In fiscal year 2012, the State of Indiana fully met its funding obligations to the TRF Pre-96 Account, JRS, PARF and LRS plans. All other required contributions from members and employers to all of the INPRS administered plans were also fully satisfied in fiscal year 2012.



# INTRODUCTORY SECTION

Letter of Transmittal, continued

## Investments

Metaphorically, investing during fiscal year 2012 was akin to a roller coaster ride at an amusement park; several up and downs, only to get off the ride at the same place you started. In fiscal year 2012, INPRS Consolidated Defined Benefit Assets returned a positive 0.7 percent net of fees. While the 5-year return rate of 0.2 percent is below the fund's long-term actuarial assumed rate of 7.0 percent – reflecting the recession years of 2008 and 2009 – the 3-year return was 11.0 percent and the 10-year return was 5.7 percent.

Volatility has become the norm over the past decade in many of the asset classes. Add in an unprecedented and prolonged period of low interest rates and you have a recipe for a very challenging environment. INPRS is meeting this challenge with forward-looking approaches including an emphasis on managing risk. Managing risk and contribution rate volatility is paramount to the sustainability of any pension plan. To that end, INPRS has established a reasonable assumed long-term rate of return that was 7.0 percent during fiscal year 2012, then lowered to 6.75 percent for fiscal year 2013. INPRS has implemented an asset allocation to achieve the 6.75 percent over the long term with the least amount of acceptable expected volatility. By design, the INPRS asset allocation is likely to surrender a portion of the upside in strong public equity market cycles; however, should significantly protect the fund on the public equity market downsides.

The foundation of any successful investment program is the commitment to and execution of disciplined decision-making policies and processes conducted by competent investment professionals. During fiscal year 2012, INPRS established a new Investment Policy Statement (IPS) that included prior best practices of PERF and TRF, but also adopted best practices of our peers. The INPRS IPS is an essential element of our commitment to investments excellence. Detailed investment policies and results can be found in the Investment Section of this report.

## Funding

An actuarial analysis of all INPRS-administered retirement plans is performed on an annual basis. An assumption experience study is performed every three to five years. PricewaterhouseCoopers (PwC) completed the most recent assumption experience study for all DB retirement plans except TRF as of June 30, 2010 and Nyhart completed the most recent assumption experience study for TRF as of June 30, 2011.

I am pleased to inform that, for the first time, the Actuarial Section of our CAFR includes an actuarial analysis covering the same time period as the financial statements. In past years, there was a one-year lag between the financial results and the actuarial analysis. The INPRS staff and actuarial firms PwC and Nyhart are to be commended for this accomplishment.

One purpose of the annual actuarial analysis is to measure the funding status, typically referred to as the funded percentage. The percentage is computed by dividing the actuarial value of net assets by the actuarial accrued liability. This ratio provides an indication of the funding status of the plan, and generally, the greater this percentage, the stronger the plan.

As discussed earlier in this letter, INPRS administers seven (7) separate DB retirement plans. The aggregate funded status percentage for all the pre-funded plans is 81.2 percent. The TRF Pre-1996 pay-as-you-go



# INTRODUCTORY SECTION

## Letter of Transmittal, continued

account, designed in 1921 for a zero funded status, actually has a funded status of 30.1 percent thanks to the underpinning of the Pension Stabilization Fund. Actuarial standards consider a funded percentage of 80 percent or better as being healthy. We are pleased with our overall funded status and continue to work to achieve and maintain 100 percent funding.

Details of the actuarial analysis can be found in the Actuarial Section of this report and the supporting statistics can be found in the Statistical Section. In the Statement of Changes in Fiduciary Net Position, contained in the Financial Section of this report, the accumulated balance of funds derived from the excess of additions over deductions is referred to as the net assets held in trust for pension benefits. The actuarial accrued liability is not disclosed in the Financial Statements, but is disclosed in the Schedule of Funding Progress in the Required Supplementary Information following the Notes to the Financial Statements.

## Accomplishments in 2012

INPRS continues to fulfill its mission while demonstrating commitment to its values. The INPRS strategic plan provides the foundation from which INPRS moves towards its vision to be the premier public retirement system, respected by customers, peers and community, and known for professional service, technological advancement and fund stability. A copy of the INPRS strategic plan can be found on the INPRS website [www.in.gov/INPRS](http://www.in.gov/INPRS). To that end, there were several significant accomplishments during fiscal year 2012.

Members continued to receive outstanding customer service. More than 99 percent of new retirees received their first pension payment on time. More than 90 percent of members, who interacted with INPRS, rated their experience as good or excellent. In the fiscal year, the system increased by 20 percent, the number of customers served by retirement counselors without having to add additional staff.

Significant progress continues in the implementation of new information technologies. INPRS successfully completed its fifth year of a multi-year program to modernize its business processes and systems. During the year, substantial progress was made, working in close collaboration with employers, in designing and preparing for launch of the new Employer Reporting and Maintenance (ERM) system. This system is designed to simplify employer interaction with INPRS while getting members' retirement contributions into their individual accounts on a payroll basis. Previously, this was only possible quarterly. As of October 2012, the system was live and in active use by employers. Significant progress was also made towards the implementation of a new Defined Benefit administration system. Scheduled for completion in 2013, this new system will bring to a close a modernization program that will have overhauled every INPRS business process and IT platform.

Major strides towards fund stability and sustainability were accomplished in 2012. The strategic planning process was conducted with a greater emphasis on enterprise risk management. In June 2012, the INPRS Board reduced the INPRS actuarial-assumed rate of return – also known as the discount rate – to 6.75 percent from 7.0 percent. INPRS is now the lowest among the 126 public systems monitored by the annual Public Fund Survey. INPRS is the only public system below 7.0 percent. Since 2008, 45 public pension plans have reduced their return assumptions. Most now use 8.0 percent, and more than 90 percent assume 7.5 percent or more. Coupled with a corresponding asset allocation, these actions bring greater confidence that the appropriate mix of investment



# INTRODUCTORY SECTION

## Letter of Transmittal, continued

returns and employer/employee contributions will be received to ensure that monies are available for promised benefits.

As stewards of assets held in trust for current and future retirees, INPRS continues to find ways to deliver better services for fewer dollars. Savings resulting from the merger of PERF and TRF continue to increase. With incremental efforts achieved in 2012, the net present value of savings generated thus far is approaching \$300 million to Indiana taxpayers. INPRS also continues to leverage technology to reduce the cost and environmental impact of printed paper.

Following this letter, you will find a Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) and an Achievement Award from the Public Pension Coordinating Council (PPCC). The PPCC award recognizes INPRS' excellence in meeting professional standards for plan design and administration. This recognition rates INPRS' system management and administration among an exclusive handful of public retirement systems in the nation.

### Acknowledgements

The compilation of this report reflects the combined efforts of INPRS staff and advisors. It is intended to demonstrate the spirit of full disclosure and to provide information for use as the basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the assets contributed by our members and employers.

If, after reviewing this report, you would like more information, please feel free to contact us at [questions@inprs.in.gov](mailto:questions@inprs.in.gov).

We express our gratitude to the staff, advisors, and all who have contributed to the preparation of this report. The INPRS staff also wishes to express our gratitude to Indiana Governor Mitch Daniels, the Indiana General Assembly, members of the Indiana Pension Management Oversight Commission, and the INPRS Board of Trustees who provided INPRS staff the privilege of serving the needs of our members and employers.

Sincerely,



Steve Russo  
Executive Director



# INTRODUCTORY SECTION

GFOA Certificate – Public Employees' Retirement Fund

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

### Public Employees' Retirement Fund of Indiana

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Sandson*

President

*Jeffrey R. Emer*

Executive Director



# INTRODUCTORY SECTION

GFOA Certificate – Teachers' Retirement Fund

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

### Indiana State Teachers' Retirement Fund

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davidson*

President

*Jeffrey R. Enen*

Executive Director





Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2012***

Presented to

***Indiana Public Retirement System***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

Alan H. Winkle  
Program Administrator

# INTRODUCTORY SECTION

## Administrative Organization

### Board of Trustees<sup>1</sup>



Brian Abbott



Tim Berry



Randy Brown



Ken Cochran



Jodi Golden



Adam Horst



Mike Pinkham



Kyle Rosebrough



Bret Swanson

### Executive Team<sup>1</sup>



Steve Russo  
*Executive Director*



Steven Barley  
*Chief Operations  
Officer and  
Deputy Director*



David Cooper  
*Chief Investment  
Officer*



Donna Grotz  
*Director of Strategic  
Initiatives and  
Administration*



Mike Hinline  
*Chief Technology  
Officer*



Jeffrey Hutson  
*Chief  
Communication  
Officer*



Julia Pogue  
*Chief Financial  
Officer*



Teresa Snedigar  
*Director of  
Internal Audit*



Andrea Unzicker  
*Chief Legal  
and Compliance  
Officer*

<sup>1</sup>As of December 2012.



# INTRODUCTORY SECTION

## Administrative Organization, continued

### **Mission Statement:**

We advance the achievement of retirement security for current and future retirees and beneficiaries through our delivery of operational and investment excellence, exemplary customer service and trusted stakeholder communication.

### **Mission Principles:**

**Stewardship.** We prudently invest and manage the assets held in trust for current and future retirees. We rigorously identify, measure and manage risk.

**Best in Class Operations.** We efficiently deliver accurate, timely retirement benefit payments and related services with attentiveness to high quality customer service.

**Trusted Source.** We are our stakeholders' trusted source of reliable, comprehensive information about retirement security and the role that Indiana Public Retirement System plays in the delivery of that security.

**Collaboration and Shared Purpose.** We value professionalism, teamwork and operational excellence to consistently improve the quality and sustainability of our services.

**Mitch Daniels**  
Governor

**Becky Skillman**  
Lt. Governor

### **Executive Team<sup>1</sup>**

**Steve Russo**  
Executive Director

**Steven Barley**  
Chief Operations Officer  
and Deputy Director

**David Cooper**  
Chief Investment Officer

**Donna Grotz**  
Director of Strategic Initiatives  
and Administration

**Mike Hinline**  
Chief Technology Officer

**Jeffrey Hutson**  
Chief Communication Officer

**Julia Pogue**  
Chief Financial Officer

**Teresa Snedigar**  
Director of Internal Audit

**Andrea Unzicker**  
Chief Legal and Compliance Officer

### **Professional Consultants<sup>2</sup>**

**Groom Law Group**  
1701 Pennsylvania Ave., N.W.  
Washington, DC 20006-5811

**Ice Miller LLP**  
One American Square, Suite 2900  
Indianapolis, IN 46282

**Krieg DeVault LLP**  
One Indiana Square, Suite 2800  
Indianapolis, IN 46204

**Nyhart**  
8415 Allison Pointe Blvd., Suite 300  
Indianapolis, IN 46250

**PricewaterhouseCoopers**  
101 W. Washington St., Suite 1300  
Indianapolis, IN 46204

**Strategic Investment Solutions, Inc.**  
333 Bush Street, Suite 2000  
San Francisco, CA 94104

<sup>1</sup>As of December 2012.

<sup>2</sup>A complete list of investment professionals that have provided services to INPRS can be found at the end of the Investment Section.

# INTRODUCTORY SECTION

Summary of Key Data as of June 30, 2012

- PERF = Public Employees' Retirement Fund
- TRF = Teachers' Retirement Fund
- 1977 Fund = 1977 Police Officers' and Firefighters' Pension and Disability Fund
- JRS = Judges' Retirement System
- E,G,&C Plan = State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
- PARF = Prosecuting Attorneys' Retirement Fund
- LEDB Plan = Legislators' Defined Benefit Plan
- LEDC Plan = Legislators' Defined Contribution Plan

(dollars in millions)

Description	PERF	TRF Pre-1996 Account	TRF 1996 Account	Total TRF	1977 Fund	JRS
<b>Membership</b>						
Number of Employers <sup>2</sup>	1,138			367	162	1
Active Members	145,519	22,688	47,885	70,573	13,390	361
Retirees, Disabilitants and Beneficiaries	72,992	47,000	2,971	49,971	3,208	311
Vested Inactive Members	21,200	3,382	2,985	6,367	122	72
Non-Vested Inactive Members	47,874	794	12,528	13,322	751	28
Total Number of Members	287,585	73,864	66,369	140,233	17,471	772
<b>Financial Information</b>						
Net Assets	\$ 12,243.8			\$ 9,077.1	\$ 3,817.0	\$ 262.3
Member Contributions	\$ 158.7	\$ 51.8	\$ 78.1	\$ 129.9	\$ 40.9	\$ 2.4
Member Contribution Rate	3.0%	3.0%	3.0%	3.0%	6.0%	6.0%
Employer Contributions	\$ 397.8	\$ 734.4	\$ 181.1	\$ 915.5	\$ 135.6	\$ 18.9
Employer Contribution Rate	State: 8.6% PSDs <sup>3</sup> 7.9% (July-Dec.) 8.8% (Jan.-June)	Pay-As-You-Go	7.5%		19.5% (July-Dec.) 19.7% (Jan.-June)	General Fund Appropriation
Benefit Payments <sup>4</sup>	\$ 669.2	\$ 1,179.5	\$ 77.4	\$ 1,256.9	\$ 85.0	\$ 16.7
Distributions <sup>5</sup>	\$ 69.9	\$ 10.2	\$ 11.0	\$ 21.2	\$ 3.1	-
Average Annual Benefit <sup>6</sup> (\$)	\$ 7,901	\$ 19,107	\$ 18,672	\$ 19,081	\$ 23,977	\$ 54,751
<b>Actuarial Information</b>						
Actuarial Value of Assets (AVA)	\$ 12,088.2	\$ 4,978.1	\$ 3,936.4	\$ 8,914.5	\$ 3,786.6	\$ 260.1
Actuarial Accrued Liabilities (AAL)	\$ 15,784.2	\$ 16,522.0	\$ 4,338.3	\$ 20,860.3	\$ 4,122.4	\$ 437.9
Unfunded AAL	\$ 3,696.0	\$ 11,543.9	\$ 401.9	\$ 11,945.8	\$ 335.8	\$ 177.8
Funded Status (AVA/AAL)	76.6%	30.1% <sup>7</sup>	90.7%	42.7%	91.9%	59.4%

<sup>1</sup>Includes State Employees' Death Benefit Fund, Public Safety Officers' Special Death Benefit Fund, and Pension Relief Fund.

<sup>2</sup>Sum of individual employers by retirement plan does not equal total employers, since one (1) employer may participate in multiple retirement plans.

<sup>3</sup>PSDs = Political Subdivisions' Aggregate Rate.

<sup>4</sup>Includes all benefit payments to members receiving benefits (i.e., defined benefit payments, COLA, annuity payments, ASA lump sum withdrawals/rollovers, special death benefits).

<sup>5</sup>Includes Annuity Savings Account withdrawals/rollovers to non-retired members.

<sup>6</sup>For PERF and TRF only, Average Annual Benefit includes member annuities.

<sup>7</sup>TRF Pre-1996 Account is pay-as-you-go (i.e., not pre-funded) and the funded status is low by design.

<sup>8</sup>Total INPRS, excluding TRF Pre-1996 Account (Pay-As-You-Go).



# INTRODUCTORY SECTION

Summary of Key Data as of June 30, 2012

- PERF = Public Employees' Retirement Fund
- TRF = Teachers' Retirement Fund
- 1977 Fund = 1977 Police Officers' and Firefighters' Pension and Disability Fund
- JRS = Judges' Retirement System
- E,G,&C Plan = State Excise Police, Gaming Agent, Gaming Control Officer, and Conservation Enforcement Officers' Retirement Plan
- PARF = Prosecuting Attorneys' Retirement Fund
- LEDB Plan = Legislators' Defined Benefit Plan
- LEDC Plan = Legislators' Defined Contribution Plan

(dollars in millions)

Description	E,G,&C Plan	PARF	LEDB Plan	LEDC Plan	Other <sup>1</sup>	Total INPRS
<b>Membership</b>						
Number of Employers <sup>2</sup>	1	1	1	1		1,187
Active Members	468	219	6	167		230,703
Retirees, Disabilitants and Beneficiaries	187	81	63			126,813
Vested Inactive Members	4	84	38			27,887
Non-Vested Inactive Members	61	165	-	47		62,248
Total Number of Members	720	549	107	214		447,651
<b>Financial Information</b>						
Net Assets	\$ 76.5	\$ 27.7	\$ 3.4	\$ 25.6	\$ 30.7	\$ 25,564.1
Member Contributions	\$ 1.0	\$ 1.3		\$ 1.3		\$ 335.5
Member Contribution Rate	4.0%	6.0%		5.0%		
Employer Contributions	\$ 5.1	\$ 1.8	\$ 0.1	\$ -	\$ 131.0	\$ 1,605.8
Employer Contribution Rate	20.75%	General Fund Appropriation	General Fund Appropriation	10.0% (July-Dec) 11.6% (Jan.-June)	General Fund Appropriation	
Benefit Payments <sup>4</sup>	\$ 4.7	\$ 1.8	\$ 0.3		\$ 0.2	\$ 2,034.8
Distributions <sup>5</sup>	\$ 0.1	\$ 0.1	\$ -	\$ 1.0		\$ 95.4
Average Annual Benefit <sup>6</sup> (\$)	\$ 23,810	\$ 21,853	\$ 5,536			
<b>Actuarial Information</b>						
Actuarial Value of Assets (AVA)	\$ 76.0	\$ 27.5	\$ 3.4			\$ 25,156.3
Actuarial Accrued Liabilities (AAL)	\$ 113.3	\$ 56.1	\$ 4.5			\$ 41,378.7
Unfunded AAL	\$ 37.3	\$ 28.6	\$ 1.1			\$ 16,222.4
Funded Status (AVA/AAL)	67.1%	49.0%	75.0%			81.2% <sup>8</sup>

<sup>1</sup>Includes State Employees' Death Benefit Fund, Public Safety Officers' Special Death Benefit Fund, and Pension Relief Fund.

<sup>2</sup>Sum of individual employers by retirement plan does not equal total employers, since one (1) employer may participate in multiple retirement plans.

<sup>3</sup>PSDs = Political Subdivisions' Aggregate Rate.

<sup>4</sup>Includes all benefit payments to members receiving benefits (i.e., defined benefit payments, COLA, annuity payments, ASA lump sum withdrawals/rollovers, special death benefits).

<sup>5</sup>Includes Annuity Savings Account withdrawals/rollovers to non-retired members.

<sup>6</sup>For PERF and TRF only, Average Annual Benefit includes member annuities.

<sup>7</sup>TRF Pre-1996 Account is pay-as-you-go (i.e., not pre-funded) and the funded status is low by design.

<sup>8</sup>Total INPRS, excluding TRF Pre-1996 Account (Pay-As-You-Go).

# INTRODUCTORY SECTION

## Fund Highlights

### Public Employees' Retirement Fund

#### Defined Benefit (Pension)

#### Annuity Savings Account (ASA)

##### Vesting

**10 years** of PERF and/or TRF-covered service  
**8 years** for specified elected positions

**Immediate**

##### Contributions

###### Employer pays 100 percent

- No member contributions
- Employer contribution rates are determined annually by the INPRS Board based on recommendations by the INPRS actuary

###### Mandatory 3 percent of gross wages paid by:

- Employer, or
- Member, or
- Shared by member and employer

###### Voluntary Contributions

- Member can elect to contribute additional monies
- Member's voluntary contributions may be pre- or post-tax if their employer has submitted a resolution to participate and the member elects to do so within the election window

##### Eligibility for Pension Benefit Payment

- Age 65 with 10 years of service
- Age 60 with 15 years of service
- At age 55 if age and creditable service total at least 85 ("Rule of 85")
- Early retirement with reduced benefits between ages 50-59 with 15 years of service
- Age 70 with 20 years of service<sup>1</sup>
- Special provisions for certain elected officials

**Automatic eligibility for withdrawal once a member separates from service<sup>2</sup>**

##### Eligibility for Disability Benefit Payment

- Qualified for Social Security disability benefits and furnished proof of qualification
- In PERF-covered service at the Social Security disability onset date
- Minimum of five years of service

**Automatic eligibility for withdrawal if receiving a disability benefit**

##### Benefit Formula

**Lifetime Annual Benefit** = (Years of Creditable Service x Final Average Annual Salary x .011) + Annuity Savings Account<sup>3</sup>

**Not applicable**

##### Cost of Living Allowance (COLA)

Allowances are granted by the Indiana General Assembly on an ad hoc basis.

**Not applicable**

<sup>1</sup>Actively employed members who have completed at least 20 years of service may apply for retirement benefits at age 70, remain actively employed and receive monthly benefits.

<sup>2</sup>Certain restrictions may apply if a member is vested in a pension benefit.

<sup>3</sup>Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined benefit (pension) or in a total distribution.



# INTRODUCTORY SECTION

Fund Highlights, continued

Teachers' Retirement Fund		
	Defined Benefit (Pension)	Annuity Savings Account (ASA)
<b>Vesting</b>	10 years of TRF and/or PERF-covered service	Immediate
<b>Contributions</b>	<p><b>Employer pays 100 percent</b></p> <ul style="list-style-type: none"> <li>■ No member contributions</li> <li>■ Employer contribution rate is determined annually by the INPRS Board for the 1996 Account based on recommendations by the INPRS actuary</li> <li>■ Pre-1996 Account is funded by State General Fund appropriations and state lottery proceeds</li> </ul>	<p><b>Mandatory 3 percent of gross wages paid by:</b></p> <ul style="list-style-type: none"> <li>■ Employer, or</li> <li>■ Member, or</li> <li>■ Shared by member and employer</li> </ul> <p><b>Voluntary Contributions</b></p> <ul style="list-style-type: none"> <li>■ Member can elect to contribute additional monies</li> <li>■ Member's voluntary contributions may be pre- or post-tax if their employer has submitted a resolution to participate and the member elects to do so within the election window</li> </ul>
<b>Eligibility for Pension Benefit Payment</b>	<ul style="list-style-type: none"> <li>■ Age 65 with 10 years of service</li> <li>■ Age 60 with 15 years of service</li> <li>■ At age 55 if age and creditable service total at least 85 ("Rule of 85")</li> <li>■ Early retirement with reduced benefits between ages 50-59 with 15 years of service</li> <li>■ Age 70 with 20 years of service<sup>1</sup></li> </ul>	Automatic eligibility for withdrawal once a member separates from service <sup>2</sup>
<b>Eligibility for Disability Benefit Payment</b>	<ul style="list-style-type: none"> <li>■ Qualified for Social Security disability benefits and furnished proof of qualification</li> <li>■ In TRF-covered service at the Social Security disability onset date</li> <li>■ Minimum of five years of service</li> <li>■ TRF classroom disability may be available for those who do not qualify for Social Security disability guidelines</li> </ul>	Automatic eligibility for withdrawal if receiving a disability benefit
<b>Benefit Formula</b>	<b>Lifetime Annual Benefit</b> = (Years of Creditable Service x Final Average Annual Salary x .011) + Annuity Savings Account <sup>3</sup>	Not applicable
<b>Cost of Living Allowance (COLA)</b>	Allowances are granted by the Indiana General Assembly on an ad hoc basis.	Not applicable

<sup>1</sup>Actively employed members who have completed at least 20 years of service may apply for retirement benefits at age 70, remain actively employed and receive monthly benefits.

<sup>2</sup>Certain restrictions may apply if a member is vested in a pension benefit.

<sup>3</sup>Members can elect at retirement to receive their Annuity Savings Account as a monthly supplement to their defined benefit (pension) or in a total distribution.

INTRODUCTORY SECTION

Fund Highlights, continued

1977 Police Officers' and Firefighters'  
Pension and Disability Fund

Vesting

20 years of covered service

Contributions

- Employer Contributions
- Employer contribution rate is adopted by the INPRS Board of Trustees based on recommendations by the INPRS actuary.
- Member Contributions
- Member must also contribute 6 percent of first-class salary for the term of the member's employment up to 32 years.
  - Employers have the option of making all or part of this contribution on behalf of the member.

Eligibility for  
Pension  
Benefit  
Payment

- Age 52 with 20 years of service
- Deferred Retirement Option Plan (DROP) available to members who are eligible for an unreduced retirement – members continue to work and earn a salary while accumulating a DROP benefit
- Early retirement with reduced benefits at age 50

Eligibility for  
Disability  
Benefit  
Payment

- Pre-1990 Disability Plan (for members hired prior to Jan. 1, 1990):
- If eligible, member receives disability benefits equal to member's full normal retirement benefit at age 52 for member's lifetime, if found to have incurred a disability in the line of duty, or until age 52 if member's disability was not incurred in the line of duty.
- 1990 Disability Plan (for members hired after Dec. 31, 1989, or those electing coverage under the 1990 Plan):
- If eligible, member receives disability benefits based on member's class of impairment. Member's class of impairment determines the base monthly benefit and the degree of impairment determines member's additional monthly benefit.

Benefit  
Formula

Annual Benefit = 50 percent<sup>1</sup> of first-class salary for 20 years of service.

Cost of Living  
Allowance  
(COLA)

Cost of living allowance is a percentage determined by statute equal to the change in the Consumer Price Index, but not in excess of a 3 percent increase.

<sup>1</sup>This percentage is increased by 1 percent for each six months of active service accumulated after 20 years of service (to a maximum of 32 years, or 74 percent).



# INTRODUCTORY SECTION

Fund Highlights, continued

## Judges' Retirement System

**Vesting**                    **8 years** of covered service

- Contributions**
- Employer Contributions**
  - Actuarially determined State General Fund appropriations
  - Certain court and docket fees
- Member Contributions**
  - A member of either the 1977 or 1985 Judges' Retirement System is required to contribute 6 percent of the member's salary for a maximum period of 22 years.
  - No contributions are due to either retirement system during the time that a member is not employed as a judge or for any period of service as a senior judge.

- Eligibility for Pension Benefit Payment**
- Member will be eligible for normal retirement with full benefits if:
  - Age 65 with at least eight years of service credit
  - At least age 55 and age in years plus years of creditable service is at least 85 ("Rule of 85")
  - Early retirement with reduced benefits at age 62 and at least eight years of service credit

- Eligibility for Disability Benefit Payment**
- Member is considered to be disabled if the INPRS Board has received a written certification of member's disability by two licensed and practicing physicians appointed by the INPRS Board. This certification must state that the member is totally incapacitated from earning a livelihood and the member's condition is likely permanent.

The salary that was paid to the member at the time of separation from service, multiplied by a percentage based on years of service will determine the amount of the disability benefit.

A participant receiving disability benefits must be re-examined at least once a year. If a participant is no longer disabled, benefits stop as of the date of the physician examination, unless the participant meets the requirements for a retirement benefit.

- Benefit Formula**
- Member is entitled to a monthly benefit payable for life in an amount calculated according to Indiana statutes. The calculation is based on the applicable salary multiplied by a percentage based on years of service.

Early retirement benefits are reduced by 0.1 percent for each month that the member's retirement precedes member's 65th birthday. This does not apply to those judges who are separated from service because of permanent disability.

- Cost of Living Allowance (COLA)**
- For participants of the 1977 System and the 1985 System (who apply for a benefit after 12/31/09), the cost of living allowance is a percentage increase equal to the increase in the salary of the participant's position from which the participant retired.

INTRODUCTORY SECTION

Fund Highlights, continued

State Excise Police, Gaming Agent, Gaming Control Officer  
and Conservation Enforcement Officers' Retirement Plan

Vesting

15 years of covered service

Contributions

**Employer:** Employer contribution rate is adopted by the INPRS Board of Trustees based on recommendations by the INPRS actuary.

**Member:** Member is required to contribute 4 percent of member's annual salary. The contribution is made through payroll deduction and is deposited in member's account.

Eligibility for  
Pension  
Benefit  
Payment

The mandatory retirement age for participants of this plan is 65. Member is eligible for early retirement if:

- Age 45 with at least 15 years of creditable service (reduced benefit)
- At least age 50 with at least 25 years of service (unreduced benefit)
- At least age 55 and age plus years of service equal 85 (unreduced benefit)
- Deferred Retirement Option Plan (DROP) – continue to work and earn a salary while accumulating a DROP benefit (unreduced benefit)

Eligibility for  
Disability  
Benefit  
Payment

The Board of Trustees of the Indiana Public Retirement System (INPRS), or its designee, determines the degree of impairment of any officer determined to be disabled; and whether the disability arose in the line of duty (as defined in the statute).

**Disability benefits may not be provided for any disability:**

- Resulting from an intentional self-inflicted injury or attempted suicide.
- Resulting from the member's commission or attempted commission of a felony.
- That begins within two years after a member's entry or re-entry into active service on the force and which was caused or contributed to by a mental or physical condition, which existed before the member entered or re-entered active service.

Benefit  
Formula

A normal retirement benefit is equal to 25 percent of member's average annual salary, increased by 1.67 percent of member's average annual salary for each completed year of creditable service more than 10 years. "Average annual salary" means the average annual salary of an officer during the five years of highest annual salary in the 10 years immediately preceding an officer's retirement date, determined without regard to any pre-tax salary reduction agreement.

A reduced benefit is calculated the same as a regular retirement but is reduced by 0.25 percent for each full month that precedes the attainment of member's 60th birthday.

Cost of Living  
Allowance  
(COLA)

Cost of living allowance is applied at the same rate as was granted by the Indiana General Assembly for the Public Employees' Retirement Fund.



# INTRODUCTORY SECTION

Fund Highlights, continued

## Prosecuting Attorneys' Retirement Fund

**Vesting**                      **8 years** of covered service

**Contributions**

- Employer Contributions**
- Actuarially determined State General Fund appropriations
- Member Contributions**
- A prosecuting attorney or chief deputy prosecuting attorney must contribute 6 percent of the state-paid portion of member's salary. This 6 percent contribution will be withheld by the Auditor of the State.
  - Prosecuting attorneys and chief deputy prosecuting attorneys are also PERF members, and the member's mandatory 3 percent PERF ASA contributions are paid on member's behalf by the state.

**Eligibility for Pension Benefit Payment**

- At age 62 with at least eight years of creditable service (reduced benefit)
- At age 65 with at least eight years of creditable service (unreduced benefit)
- Member was serving on or began service after July 1, 2006
- Member has at least 10 years of creditable service if member ended service before July 1, 2006

**Eligibility for Disability Benefit Payment**

- A member who becomes disabled while in active service may receive monthly benefits for the duration of member's disability if:**
- The member has at least five years of creditable service; and
  - The member is qualified for Social Security disability benefits (or has qualified for federal civil service disability benefits and has provided proof of qualification).
- The member's disability is subject to verification at least once a year until member reaches age 65.
- Amount**
- The annual salary (state portion only) that a member was receiving at the time of separation from service, multiplied by a percentage based on years of service will determine the amount of the member's benefit. Disability benefits paid from the Prosecutors' Fund are reduced by pension benefits paid from PERF.

**Benefit Formula**

If a member is eligible and applies for a benefit at 65 years of age, the member is eligible for an annual retirement benefit. The highest state portion of an annual salary (state portion only) paid to the participant before separation from service multiplied by a percentage based on years of service will determine the amount of the member's benefit.

If a member is not 65 years of age, a member is entitled to receive a reduced annual retirement benefit that equals the benefit that would be payable if the member was age 65 reduced by 0.25 percent for each month that the member's age at retirement precedes the member's 65th birthday.

**Cost of Living Allowance (COLA)**

No cost of living allowance is provided.

# INTRODUCTORY SECTION

Fund Highlights, continued

## Legislators' Retirement System

### Defined Benefit Plan

### Defined Contribution Plan

#### Vesting

10 years of service in the General Assembly<sup>1</sup>

Immediate<sup>2</sup>

#### Contributions

##### Employer Contributions

- Actuarially determined State General Fund appropriations

No member contributions

##### Employer Contributions

The state contribution is determined by multiplying the member's salary for that year by a percentage determined by the INPRS Board and confirmed by the State Budget Agency not to exceed the total contribution rate paid that year by the state to INPRS for state members.

##### Member Contributions

The member must contribute 5 percent of member's salary for service after June 30, 1989.<sup>3</sup>

#### Eligibility for Pension Benefit Payment

##### Normal Retirement with Unreduced Benefits

- At least age 65 with 10 years or more of creditable service as a member of the General Assembly (or meet the requirements for disability benefits under this plan); or
- At least age 60 with at least 15 years of service as a member of the General Assembly; or
- At least age 55 and years of service plus age equal at least 85.

##### Early Retirement with a Reduced Pension Benefit

- At least age 55
- Has terminated service in the General Assembly,
- Are not receiving, nor are entitled to receive, compensation from the state for work in any capacity and;
- Has achieved vested status, or 10 years of creditable service.

Automatic eligibility for withdrawal once member separates from service.

#### Eligibility for Disability Benefit Payment

- Has at least five years of creditable service as a member of the General Assembly,
- Has qualified for Social Security disability benefits and has furnished a Social Security award letter to the INPRS Board, and
- Has member's continued disability verified by a board representative at least one time each year until member reaches age 65.

Not applicable

#### Benefit Formula

##### Monthly benefit is the lesser of:

- \$40 x Years of service before November 8, 1989 or
- Highest consecutive three-year average annual salary at termination ÷ 12

Not applicable

#### Cost of Living Allowance (COLA)

Cost of living allowance is applied at the same rate as was passed by the Indiana General Assembly for the PERF plan.

No cost of living allowance is provided.

<sup>1</sup>This plan applies only to legislators who were members of the General Assembly before or on April 30, 1989, and chose to participate.

<sup>2</sup>This plan applies only to legislators who were elected or appointed after April 30, 1989, or who were in service on this date and chose to participate.

<sup>3</sup>On July 1 following the date a member participates in the Defined Contribution Plan, the member may elect to transfer the amount in the member's Public Employees' Retirement Fund (PERF) or Teachers' Retirement Fund (TRF) Annuity Savings Account to the Defined Contribution Plan. This amount will then be credited to the member's account.